

Directors' Report

On behalf of the Board of Directors, I take pleasure in placing before you the results of the Company for the year ended 31 December 2012. I am pleased to inform you that your Company has successfully completed 25 years of operation.

Economic environment and outlook

The local economic environment was relatively positive for your company during the past year. Stabilization of oil prices at a higher level over the past few years has substantially improved the country's budget balance. This has enabled the government to continue to invest in infrastructure and job creation.

While the country and region have had relatively stable growth over the past two years, the global economy continues to remain at a higher level of risk. Concerted monetary and fiscal actions taken by some of the largest economies have resulted in wide movements in currencies and competitive positions. This process is still continuing and we anticipate sustained volatility in global markets for the foreseeable future.

Liquidity and confidence in the local financial system was comparatively higher during the year. The launch of Islamic banking with the licencing of 2 pure Islamic banks and multiple Islamic banking windows of existing banks introduces a new element of funding as well as competition in the domestic financial landscape. The impact of this initiative will take some time to play out in the market place.

The country's Eighth Five Year Plan and Budget 2013 envisage continued focus on infrastructure projects and development of manpower. Continued growth in oil production combined with healthy price realizations on crude exports gives substantial confidence in the revenue assumptions. The many infrastructure projects which are in the implementation phase have resulted in growth in business confidence and expectation of employment generation in the short to medium term. Overall, our reading of the economic climate is cautiously positive with a positive market growth balanced against increased competition.

Operating performance

The company continues to adopt a conservative approach to credit approvals as a result of a perception of heightened credit risk since Q4 2008. Within this policy, our approach has been to target customers perceived to meet our credit risk appetite. As a result, net finance assets increased by 17.8% to Rials 126.69 million (Rials 107.52 million as on 31 December 2011).

The company has raised equity capital of Rials 7.5 million by issuing 75,000,000 shares to existing shareholders at par value of 100 baizas per share during February 2012. The rights issue was fully subscribed and accordingly the Paid-up Capital of the company has increased to Rials 25.05 million which enables the company to satisfy its regulatory capital requirements for the foreseeable future as per current regulations.

Your company has successfully implemented a fully integrated new IT software system to support future growth.

Your company continues to follow a prudent provisioning policy based on its assessment of the risks inherent to its portfolio and is in full compliance with provisioning norms prescribed by the Central Bank of Oman and the International Financial Reporting Standards.

Overall, the Company achieved a net profit of Rials 4.11 million for the year ended 31 December 2012 (Rials 3.55 million in 2011), an increase of 16%.

Management Discussion and Analysis Report

The Management Discussion & Analysis Report which forms a part of this annual report provides more detailed insight into the financial statements and operations of the company for the year 2012.

Dividend Policy

The Company's dividend distribution policy aims at providing shareholders a reasonable return and to build reserves to achieve a strong capital base. Based on this, the Board recommends distribution of 10% dividend in cash. This dividend will be paid on the shares outstanding on the record date.

The particulars of dividend distributed in the past 5 years including the dividend proposed for the year 2012 are as follows:

	Amount in Rials million				
Years	2008	2009	2010	2011	2012
Cash dividend	10%	0%	5%	7%	10%
Stock dividend	10%	20%	16%	Nil	Nil
Total	20%	20%	21%	7%	10%
Capital on which dividend paid	11.47	12.61	15.13	25.05	25.05

Corporate Governance

Your Company has been complying with all the requirements of the code of corporate governance, as specified by the Capital Market Authority (CMA). A detailed report on corporate governance is set out along with a certificate from the Statutory Auditors in compliance with CMA regulations.

Donations and Grants

During the year, the company had donated a total of Rials 5,500 for charitable purposes to Al Noor Association and Fanja School for Basic Education out of the amount approved by the shareholders for distribution to charities.

Omanisation

Your company remains committed to Omanisation and as on 31st December 2012, the number of Omani staff was 112 out of the total staff strength of 139. The

Omanisation percentage works out to 80.6% which is in line with the prescribed target of 80%.

Acknowledgement

I am joined by all the members of the Board of Directors and the Management in expressing deep gratitude to His Majesty Sultan Qaboos Bin Said for his dynamic and progressive leadership. We also extend our sincere gratitude to the Central Bank of Oman, Capital Market Authority, Muscat Securities Market, our bankers, depositors, vehicle and equipment dealers, customers and shareholders for the support extended for the growth of the Company.

On behalf of the Board of Directors I also thank the management and staff for their dedication and hard work.

Taya Bin Jandal Bin Ali
Chairman

January 30, 2013